

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /083 W

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R 070606Z JUL 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 6092

INFO AMCONSUL MELBOURNE

AMCONSUL SYDNEY

C O N F I D E N T I A L CANBERRA 4389

E.O. 11652: GDS

TAGS: PINT, AS

SUBJ: WHITLAM RECALLS HOUSE OF REPRESENTATIVES FOR A SPECIAL  
SESSION ON JULY 9 TO DISCUSS CAIRNS' DISMISSAL AND  
OVERSEAS LOANS.

REF: CANBERRA 4333

1. SUMMARY: PRIME MINISTER WHITLAM ANNOUNCED JULY 5 THAT  
HOUSE OF REPRESENTATIVES WOULD BE RECONVENED FOR SPECIAL  
ONE-DAY SESSION JULY 9 TO DISCUSS DISMISSAL OF CAIRNS FROM  
MINISTRY AND OVERSEAS LOANS AFFAIR. OPPOSITION LEADER IN  
SENATE HAS ARRANGED TO RECALL SENATE JULY 9 TO DISCUSS  
LOANS. RECALL OF PARLIAMENT TAKING PLACE AGAINST SERIES OF  
DEVELOPMENTS ADVERSE TO LABOR GOVERNMENT.  
END SUMMARY.

2. ON JULY 5 PRIME MINISTER WHITLAM ANNOUNCED THAT THE  
AUSTRALIAN HOUSE OF REPRESENTATIVES WOULD BE RECONVENED  
FOR A SPECIAL ONE-DAY SESSION ON JULY 9 TO DISCUSS DR.  
CAIRNS' DISMISSAL FROM THE MINISTRY AND THE GOA'S EFFORTS  
TO RAISE OVERSEAS LOANS. THE PRIME MINISTER INDICATED THAT  
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HE WOULD TABLE REPORTS HE HAD RECEIVED FROM GOVERNMENT

DEPARTMENTS ON THE LETTERS CONNECTED WITH THE LOAN WHICH LED TO DR. CAIRNS' DISMISSAL AS WELL AS A LETTER FROM MINISTER OF MINERALS AND ENERGY REX CONNOR TO A MR. TIRATH HASSARAM KHEMLANI, A LOND-BASED PAKISTANI FINANCIER BORN IN SINGAPORE, AUTHORIZING HIM TO SEEK \$US 4 BILLION IN LOANS ON BEHALF OF THE AUSTRALIAN GOVERNMENT.

3. THE PRIME MINISTER EVIDENTLY DECIDED TO RECONVENE THE PARLIAMENT IN RESPONSE TO INCREASING DEMANDS FROM THE OPPOSITION, THE PRESS, AND MEMBERS OF HIS OWN PARTY THAT A FULL JUDICIAL INQUIRY BE CONDUCTED TO INVESTIGATE THE WHITLAM GOVERNMENT'S ATTEMPTS TO SECURE OVERSEAS LOANS. THE PRIME MINISTER HOPES THAT THE SPECIAL SESSION WILL TAKE THE STEAM OUT OF THIS ISSUE AND PERHAPS ENABLE HIM TO RESIST CONVENING A JUDICIAL INQUIRY. IT WILL ALSO FORCE ALP PARLIAMENTARIANS IN THE HOUSE TO SUPPORT THE PRIME MINISTER ON A VOTE OF CONFIDENCE IN GOVERNMENT PRIOR TO THE JULY 14 ALP CAUCUS MEETING IN WHICH THE CAUCUS WILL BE ASKED TO CONFIRM THE PRIME MINISTER'S DISMISSAL OF DR. CAIRNS.

4. THE OPPOSITION PARTIES HAVE FORCED THE SENATE TO RECONVENE ON JULY 9TH AND THE CAIRNS' DISMISSAL AND OVERSEAS LOANS TRANSACTIONS WILL BE DEBATED THERE AS WELL. NOT RPT NOT CLEAR HOW LONG SPECIAL SENATE SESSION WILL LAST. OPPOSITION LEADER IN SENATE (SENATOR WITHERS) HAS INDICATED POSSIBILITY THAT SENATE MAY HAVE TO SUMMON WITNESSES TO TESTIFY ON LOANS. SUCH ACTION COULD RAISE COMPLEX AND THORNY POLITICAL AND CONSTITUTIONAL ISSUES WHOSE DIMENSIONS NOT YET FULLY CLEAR.

5. COMMENT: POLITICAL OBSERVERS REGARD WHITLAM'S DECISION TO RECONVENE THE HOUSE AS A BOLD AND ALMOST DESPERATE ATTEMPT TO BRING MATTERS TO A HEAD RATHER THAN FACE A CONTINUING BARRAGE OF HOSTILE PRESS STORIES ON THE GOVERNMENT'S ATTEMPTS TO RAISE OVERSEAS LOANS. THE DEBATE WILL GENERATE MORE HEAT THAN LIGHT. WE EXPECT THE OPPOSITION WILL CONTINUE TO INSIST ON A FULL JUDICIAL INQUIRY INTO THESE MATTERS AND ATTEMPT TO SHOW THAT THE PRIME MINISTER MISLED THE PARLIAMENT IN MUCH THE SAME MANNER AS HE SAID DR. CAIRNS HAD DONE. THE ALP IS IN SERIOUS TROUBLE AND MOST OBSERVERS ARE LOOKING BEYOND THE SPECIAL PARLIAMENTARY SESSION TO THE SOUTH AUSTRALIAN STATE CONFIDENTIAL

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ELECTIONS ON JULY 12. TWO WEEKS AGO ALP PREMIER DON DUNSTAN AND HIS PARTY LOOKED LIKE EASY WINNERS. JULY 7 MEDIA REPORT POLL INDICATING A SWING OF 12 PCT AWAY FROM THE ALP IN SOUTH AUSTRALIA AND MANY PROMINENT ALP LEADERS, INCLUDING SENATOR JOHN WHEELDON, HAVE FLATLY PREDICTED THAT THE ALP WILL LOSE IN SOUTH AUSTRALIA AND BE FORCED OUT OF THE FEDERAL GOVERNMENT WITHIN THE NEXT FEW MONTHS. END COMMENT.  
GREEN

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